

Message Text

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PAGE 01 TOKYO 13855 01 OF 02 090535Z
ACTION H-03

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UNCLAS SECTION 1 OF 2 TOKYO 13855

E.O. 11652: N/A
TAGS: OVIP, JA (GLENN, JOHN)
SUBJECT: VISIT OF SENATOR GLENN

REF: TOKYO 13587

1. SUMMARY: SENATOR GLENN MADE USEFUL CALLS IN TOKYO
ON LEADING JAPANESE BUSINESSMEN AND GOVERNMENT OFFICIALS.
THIS MESSAGE
DESCRIBED HIGHLIGHTS OF THESE VISITS ON ECONOMIC
SUBJECTS. END SUMMARY.

2. ANN SWIFT (H) REQUESTED CONVEY THIS REPORT TO ROY
WERNER OF SENATOR GLENN'S STAFF.

3. SENATOR GLENN MET THURSDAY AFTERNOON, AUGUST 25, WITH
ISAMU MIYAZAKI, DIRECTOR GENERAL, COORDINATION BUREAU,
ECONOMIC PLANNING AGENCY, AND AKINORI MARUMO, DIRECTOR,
OVERSEAS RESEARCH DIVISION, RESEARCH BUREAU, ECONOMIC
PLANNING AGENCY. AT THIS MEETING, MIYAZAKI TRACED JAPAN'S
RECOVERY FROM THE 1973-74 OIL SHOCK, SAYING IT LEFT JAPAN
WITH A VERY CONSIDERABLY IMPROVED PICTURE ON INFLATION, AN
INCOMPLETE ADJUSTMENT OF PRODUCTION, AND A CURRENT ACCOUNT
SURPLUS WHICH BOTHERED NOT ONLY THE REST OF THE WORLD
BUT THE JAPANESE ALSO. HE INDICATED THAT, BECAUSE
THE RECOVERY WAS STILL UNCERTAIN, AND PRIME MINISTER
FUKUDA WAS FULLY COMMITTED TO ACHIEVING JAPAN'S 6.7
UNCLASSIFIED

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PAGE 02 TOKYO 13855 01 OF 02 090535Z

PERCENT GROWTH TARGET, HE EXPECTED ANOTHER STIMULUS
PROGRAM WOULD BE ANNOUNCED IN EARLY SEPTEMBER. (NOTE:
THE PROGRAM WAS ANNOUNCED BY THE PRIME MINISTER SEPTEMBER 3.) MIYAZAKI, IN RESPONSE TO A QUESTION, INDICATED THAT A DECISION ON INTRODUCING A NEW INVESTMENT
TAX CREDIT WOULD PROBABLY BE DEFERRED UNTIL PREPARATION
OF THE FY 1978 BUDGET.

4. MUCH OF THE FURTHER DISCUSSION CONCERNED JAPAN'S HEAVY DEPENDENCE ON IMPORTED OIL AND NEED FOR NUCLEAR POWER. SENATOR GLENN EXPRESSED INTEREST IN LEARNING MORE ABOUT JAPAN'S EXPENDITURES ON ENERGY RESEARCH. SENATOR GLENN ALSO INDICATED UNDERSTANDING OF THE IMPORTANCE TO JAPAN OF NUCLEAR ENERGY DEVELOPMENT AND EXPRESSED THE BELIEF THAT IT WOULD BE POSSIBLE TO WORK OUT MUTUALLY SATISFACTORY ARRANGEMENTS BETWEEN U.S. AND JAPAN SO THAT THE JAPANESE PROGRAM COULD MOVE FORWARD.

5. IN RESPONSE TO SENATOR GLENN'S QUESTION ABOUT THE PROSPECTS THAT JAPAN MIGHT LIBERALIZE ITS RE-MAINING IMPORT QUOTAS, MIYAZAKI SAID HE THOUGHT IT MIGHT BE POSSIBLE TO MAKE SOME PROGRESS IN THIS AREA BUT THAT LIBERALIZATION OF AGRICULTURAL QUOTAS WOULD BE PARTICULARLY DIFFICULT. IN RESPONSE TO ANOTHER QUESTION CONCERNING PROBLEMS IN COMMODITY TRADE, MR. MIYAZAKI SAID JAPAN WAS INTERESTED IN BEING A GOOD CUSTOMER AND IN STOCKPILING, AND NOTED DISCUSSIONS WERE NOW GOING ON INTERNATIONALLY ON THESE PROBLEMS. IN CLOSING, SENATOR GLENN VOICED CONGRESSIONAL INTEREST IN THE ONGOING DISCUSSIONS CONCERNING COST SHARING FOR U.S. FORCES IN JAPAN. HE ALSO STRESSED THE IMPORTANCE OF JAPAN'S PLAYING A FULL ROLE AS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 13855 01 OF 02 090535Z

THE FREE WORLD'S NUMBER 2 ECONOMIC POWER.

6. SENATOR GLENN CALLED ON FOREIGN MINISTRY ECONOMIC BUREAU DIRECTOR GENERAL MOTONO ON AUGUST 24. THE SENATOR EXPRESSED INTEREST IN JAPANESE MEASURES TO CORRECT PROBLEMS ARISING FROM JAPAN'S HEAVY TRADE SURPLUS. MOTONO SAID THAT HE RECOGNIZED THE IMPORTANCE OF EFFECTIVE MEASURES AND THAT NEW STEPS WOULD BE ANNOUNCED ABOUT SEPTEMBER 6, BUT HE WAS UNSURE EXACTLY WHEN. (SEE TOKYO 13556.) HE SAID THAT THE BANK OF JAPAN WAS JUST COMPLETING A STUDY WHICH WAS NEEDED BEFORE FINAL DECISIONS WERE MADE. THERE WAS A FULL DISCUSSION OF WAYS TO REFLATE THE JAPANESE ECONOMY AND THE RELATIVE EFFECTIVENESS OF TAX MEASURES, GOVERNMENT SPENDING, AND INVESTMENT INCENTIVES. SENATOR GLENN NOTED THAT JAPAN'S ALMOST TOTAL DEPENDENCE ON FOREIGN SOURCES FOR ENERGY MUST DISCOURAGE BUSINESS INVESTORS. MOTONO AGREED THAT ENERGY WORRIES WERE ONE FACTOR IN THE PRESENT LOW LEVEL OF INVESTMENT.

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PAGE 01 TOKYO 13855 02 OF 02 090542Z
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INFO OCT-01 EA-06 ISO-00 SS-07 NSC-06 AID-01 /024 W
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R 090520Z SEP 77
FM AMEMBASSY TOKYO
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UNCLAS SECTION 2 OF 2 TOKYO 13855

7. SENATOR GLENN NOTED THAT ORDERLY MARKETING AGREE-
MENTS OR OTHER RESTRAINTS HAD BEEN APPLIED AGAINST
JAPAN IN THE PAST BUT THAT SO FAR THE U.S. HAD AVOIDED
SUCH MEASURES IN SPITE OF RECENT INCREASES OF SHIP-
MENTS OF AUTOS AND STEEL. HE ALSO NOTED THAT JAPAN
FACED LIMITATIONS ON STEEL EXPORTS TO THE EC. MOTONO
AGREED THAT THE JAPANESE STEEL INDUSTRY WAS PRACTICING
RESTRAINT TOWARD THE EC, AND WENT ON TO SAY THAT JAPAN
WANTED TO AVOID DIFFICULTIES IN THE U.S. ALSO BUT
WAS UNCERTAIN HOW TO ACT IN VIEW OF U.S. ANTI-TRUST
AND OTHER LEGISLATION.

8. THE SENATOR ASKED IF JAPAN WERE CONSIDERING THE
STOCKPILING OF RAW MATERIALS. MOTONO SAID ONLY
LIMITED MEASURES HAD BEEN TAKEN AND HE DID NOT EXPECT
MORE TO BE DONE. THE SENATOR URGED THAT JAPANESE
BUSINESS DO THEIR BEST TO MARKET THEIR EXPORTS
SMOOTHLY SO AS TO AVOID DISRUPTION. HE NOTED THAT
JAPAN STILL HAS 27 IMPORT QUOTAS, WHICH SHOULD BE
REMOVED. MOTONO POINTED TO THE MANY POLITICAL
FACTORS MILITATING AGAINST REMOVING THOSE QUOTAS,
ESPECIALLY IN TIMES OF SLOW ECONOMIC GROWTH. MOTONO
OBSERVED THAT THE ENERGY SITUATION MADE ECONOMIC
RECOVERY EVEN MORE DIFFICULT THAN OTHERWISE, AND THUS
ADDED INDIRECTLY TO TRADE PROBLEMS.

9. SENATOR GLENN CALLED ON TOP KEIDANREN OFFICIALS
UNCLASSIFIED

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PAGE 02 TOKYO 13855 02 OF 02 090542Z

LED BY Y. IWASE, CHAIRMAN, ON AUGUST 25. THE DISCUSSION

OPENED WITH THE SENATOR EXPRESSING HIS UNDERSTANDING OF JAPAN'S DESIRE TO DEVELOP NUCLEAR ENERGY FACILITIES. HE URGED AN EVEN STRONGER EFFORT IN BROAD ENERGY RESEARCH, NOTING THE RELATIVELY SMALL AMOUNTS SPENT SO FAR ON "PROJECT SUNSHINE." THE JAPANESE AGREED THAT THE GOJ SHOULD INCREASE ENERGY RESEARCH. THE ENATOR ASKED ABOUT ENERGY DEVELOPMENT IN SIBERIA AND WAS TOLD THAT THE JAPANESE HOPED TO DEVELOP NATURAL GAS RESOURCES WHICH COULD BE SHARED WITH THE U.S. (AS WELL AS THE U.S.S.R.), BUT THAT NOTHING WAS BEING DONE TO DEVELOP CRUDE OIL. THE JAPANESE SAID THAT U.S. PARTICIPATION IN GAS DEVELOPMENT WAS A PRE-CONDITION FOR THEM BECAUSE OF THE MANY RISKS INVOLVED.

10. MR. IWASA ASKED ABOUT THE POSSIBILITY OF SWAPPING SOME ALASKAN CRUDE OIL WHICH COULD THEN GO TO JAPAN WITH JAPANESE CONTROLLED PERSIAN GULF CRUDE WHICH COULD THEN GO TO THE U.S. EAST COAST. THE SENATOR EXPLAINED THE POLITICAL AND ECONOMIC FACTORS WHICH MADE SUCH A SWAP UNDERSIRABLE FOR THE U.S. HE SAID THAT THE AMERICAN PEOPLE WOULD NOT UNDERSTAND WHY OUR IMPORTS SHOULD BE INCREASED EVEN HIGHER THAN THEY NOW ARE, AND THAT WE NEEDED TO BE PROTECTED AS MUCH AS POSSIBLE AGAINST EMBARGOS OR CUT-OFF RESULTING FROM NEW CONFLICTS IN THE MIDDLE EAST.

1. THE SENATOR ASKED ABOUT JAPANESE PURCHASES OF CHINESE CRUDE. HE WAS TOLD THAT JAPANESE COMPANIES HESITATED TO INVEST IN CRACKING PLANTS TO HANDLE WAXY CHINESE CRUDE WITHOUT FIRM LONG-TERM DELIVERY ASSURANCES.
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PAGE 03 TOKYO 13855 02 OF 02 090542Z

12. MR. YOSHII REPRESENTING SONY CORP. MADE AN VIGOROUS ATTACK AGAINST CALIFORNIA STATE UNITARY PROFITS TAXATION PRACTICES. HE SAID THAT SUCH TAX MEASURES THREATENED SONY INVESTMENTS IN CALIFORNIA. HE WAS SUPPORTED BY MR. GOTO OF NISSAN MOTORS WHO SAID THAT HIS COMPANY COULD HARDLY CONSIDER REQUESTS TO INVEST IN CALIFORNIA. SENATOR GLENN EXPRESSED UNDERSTANDING OF THIS PROBLEM, AND URGED THE JAPANESE TO STUDY INVESTING IN OHIO.
MANSFIELD

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